

**REPORT OF THE AUDIT OF THE
HANCOCK COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administrative Cabinet

Honorable Jack McCaslin, Hancock County Judge/Executive

Members of the Hancock County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Hancock County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
HANCOCK COUNTY FISCAL COURT**

June 30, 2011

Tichenor & Associates, LLP has completed the audit of the Hancock County Fiscal Court for fiscal year ended June 30, 2011. We have issued an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Hancock County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$16,991,904 as of June 30, 2011. The fiscal court had unrestricted net assets of \$2,998,127 in its governmental activities as of June 30, 2011, with total net assets of \$16,991,904. In its business-type activities, total net cash and cash equivalents were \$128,025 with total net assets of \$7,921,564. The fiscal court had total debt principal as of June 30, 2011 of \$12,178,452 with \$756,647 due within the next year.

Report Comment:

2011-01 The Hancock County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Bank Reconciliations, Revenues, And Payroll

Deposits:

As of June 30, 2011, the fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
HANCOCK COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	35
NOTES TO FINANCIAL STATEMENTS	37
BUDGETARY COMPARISON SCHEDULES	55
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	58
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	61
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	65
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	69
COMMENT AND RECOMMENDATION	51
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Jack McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hancock County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Hancock County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Jack McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2012, on our consideration of Hancock County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

2011-01 The Hancock County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Bank Reconciliations, Revenues, And Payroll

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2012

HANCOCK COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Jack B. McCaslin	County Judge/Executive
John M. Gray	Magistrate
James W. Hodskins	Magistrate
Franklin W. Estes	Magistrate
Larry G. Sosh	Magistrate

Other Elected Officials:

Paul Madden Jr.	County Attorney
Roger Estes	Jailer
Trina M. Ogle	County Clerk
Noel J. Quinn	Circuit Court Clerk
Ralph D. Bozarth	Sheriff
Dennis Long	Property Valuation Administrator
David C. Gibson	Coroner

Appointed Personnel:

Melissa J. Baker	County Treasurer
Stacy L. Bozarth	Occupational Tax Administrator

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

HANCOCK COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,023,599	\$ 128,025	\$ 4,151,624
Asset Held for Resale	112,898		112,898
Note Receivable	364,000		364,000
Total Current Assets	4,500,497	128,025	4,628,522
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	862,102	1,627,176	2,489,278
Land Improvements		5,441,980	5,441,980
Construction In Progress	10,396,490		10,396,490
Buildings	1,714,803	1,134,612	2,849,415
Other Equipment	751,739	249,771	1,001,510
Vehicles	705,491		705,491
Infrastructure	1,657,670		1,657,670
Total Noncurrent Assets	16,088,295	8,453,539	24,541,834
Total Assets	20,588,792	8,581,564	29,170,356
LIABILITIES			
Current Liabilities:			
Financing Obligations	206,647		206,647
Bonds Payable	480,000	70,000	550,000
Total Current Liabilities	686,647	70,000	756,647
Noncurrent Liabilities:			
Financing Obligations	156,805		156,805
Bonds Payable	10,675,000	590,000	11,265,000
Total Noncurrent Liabilities	10,831,805	590,000	11,421,805
Total Liabilities	11,518,452	660,000	12,178,452
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	5,866,904	7,793,539	13,660,443
Restricted for Landfill Postclosure	205,309		205,309
Unrestricted	2,998,127	128,025	3,126,152
Total Net Assets	\$ 9,070,340	\$ 7,921,564	\$ 16,991,904

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

HANCOCK COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,386,776	\$ 81,451	\$ 1,432,544	\$ 415,064
Protection to Persons and Property	1,332,831	293,812	187,356	
General Health and Sanitation	497,061			
Social Services	227,620		68,798	
Recreation and Culture	291,374	28,517	7,700	
Roads	1,265,643		938,535	417,986
Airport	12,620			
Interest on Long-term and Short-term Debt	386,702			
Total Governmental Activities	6,400,627	403,780	2,634,933	833,050
Business-type Activities:				
Airport Board	331,710			175,243
Total Business-type Activities	331,710			175,243
Total Primary Government	\$ 6,732,337	\$ 403,780	\$ 2,634,933	\$ 1,008,293

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Occupational Taxes

 Other Taxes

In Lieu of Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (457,717)	\$	\$ (457,717)
(851,663)		(851,663)
(497,061)		(497,061)
(158,822)		(158,822)
(255,157)		(255,157)
90,878		90,878
(12,620)		(12,620)
(386,702)		(386,702)
(2,528,864)		(2,528,864)
	(156,467)	(156,467)
	(156,467)	(156,467)
(2,528,864)	(156,467)	(2,685,331)
178,514		178,514
50,898		50,898
45,891		45,891
3,056,106		3,056,106
116,945		116,945
10,949		10,949
130,083		130,083
406,053	40,490	446,543
75,897	45	75,942
4,071,336	40,535	4,111,871
1,542,472	(115,932)	1,426,540
7,527,868	8,037,496	15,565,364
\$ 9,070,340	\$ 7,921,564	\$ 16,991,904

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

HANCOCK COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Local Government Economic Assistance Fund	Judicial Center Bond Fund	Non- Major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,866,669	\$ 436,640	\$ 237,468	\$ 1,184,163	\$ 298,659	\$ 4,023,599
Total Assets	<u>1,866,669</u>	<u>436,640</u>	<u>237,468</u>	<u>1,184,163</u>	<u>298,659</u>	<u>4,023,599</u>
FUND BALANCES						
Restricted For:						
Capital Projects				1,184,163		1,184,163
Landfill Postclosure	205,309					205,309
Assigned To:						
Protection to Persons and Property					298,659	298,659
Social Services			49,011			49,011
Roads		436,640	188,457			625,097
Unassigned	<u>1,661,360</u>					<u>1,661,360</u>
Total Fund Balances	<u>\$ 1,866,669</u>	<u>\$ 436,640</u>	<u>\$ 237,468</u>	<u>\$ 1,184,163</u>	<u>\$ 298,659</u>	<u>\$ 4,023,599</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 4,023,599
Note Receivable	364,000
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	20,914,258
Accumulated Depreciation	(4,825,963)
Asset Held For Resale	112,898
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(363,452)
General Obligation Bonds	<u>(11,155,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,070,340</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Local Government Economic Assistance Fund	Judicial Center Bond Fund
REVENUES				
Taxes	\$ 3,408,156	\$	\$	\$
In Lieu Tax Payments	10,949			
Excess Fees	130,083			
Licenses and Permits	25,322			
Intergovernmental	791,564	1,188,638	236,681	1,077,305
Charges for Services	303,244			
Miscellaneous	385,955	70,054	1,501	
Interest	8,868	6,870	1,906	56,567
Total Revenues	<u>5,064,141</u>	<u>1,265,562</u>	<u>240,088</u>	<u>1,133,872</u>
EXPENDITURES				
General Government	1,215,429			
Protection to Persons and Property	1,124,125		2,318	
General Health and Sanitation	496,881		180	
Social Services	199,004		14,800	
Recreation and Culture	306,948		2,490	
Roads		1,417,745	330,080	
Airports	12,620			
Debt Service:				
Principal	46,589	21,997		470,000
Interest	1,603	3,645		381,454
Capital Projects				5,511,878
Administration	1,147,935	188,708		
Total Expenditures	<u>4,551,134</u>	<u>1,632,095</u>	<u>349,868</u>	<u>6,363,332</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>513,007</u>	<u>(366,533)</u>	<u>(109,780)</u>	<u>(5,229,460)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(502,000)			
Transfers From Other Funds		411,500		
Financing Obligations Proceeds		212,898		
Total Other Financing Sources (Uses)	<u>(502,000)</u>	<u>624,398</u>		
Net Change in Fund Balances	11,007	257,865	(109,780)	(5,229,460)
Fund Balances - Beginning (Restated)	1,855,662	178,775	347,248	6,413,623
Fund Balances - Ending	<u>\$ 1,866,669</u>	<u>\$ 436,640</u>	<u>\$ 237,468</u>	<u>\$ 1,184,163</u>

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 37,051	\$ 3,445,207
	10,949
	130,083
	25,322
170,028	3,464,216
18,330	321,574
12,341	469,851
1,686	75,897
<u>239,436</u>	<u>7,943,099</u>
	1,215,429
278,460	1,404,903
	497,061
	213,804
	309,438
	1,747,825
	12,620
	538,586
	386,702
	5,511,878
12,034	1,348,677
<u>290,494</u>	<u>13,186,923</u>
<u>(51,058)</u>	<u>(5,243,824)</u>
	(502,000)
90,500	502,000
	212,898
<u>90,500</u>	<u>212,898</u>
39,442	(5,030,926)
259,217	9,054,525
<u>\$ 298,659</u>	<u>\$ 4,023,599</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HANCOCK COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

HANCOCK COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (5,030,926)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Costs Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	6,476,563
Depreciation Expense	(341,751)
Purchase Of Asset Held For Resale	112,898
The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However Have No Effect On Net Assets.	
Financing Obligation Proceeds	(212,898)
Financing Obligations Principal Payments	68,586
Revenue Bond Principal Payments	<u>470,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,542,472</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2011

HANCOCK COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2011

	<u>Business-Type Activities</u>
	<u>Enterprise Funds Airport Board Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 128,025
Total Current Assets	<u>128,025</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated	
Land	1,627,176
Land Improvements	5,441,980
Building	1,134,612
Other Equipment	249,771
Total Noncurrent Assets	<u>8,453,539</u>
Total Assets	<u>8,581,564</u>
Liabilities	
Current Liabilities:	
Bonds Payable	70,000
Long Term Liabilities:	
Bonds Payable	590,000
Total Liabilities	<u>660,000</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,793,539
Unrestricted	128,025
Total Net Assets	<u><u>\$ 7,921,564</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>Business-Type Activities</u>
	<u>Enterprise Funds</u>
	<u>Airport Board Fund</u>
Operating Revenues	
Other Receipts	\$ 40,490
Total Operating Revenues	<u>40,490</u>
Operating Expenses	
Depreciation	269,030
Supplies	3,727
Miscellaneous	<u>27,678</u>
Total Operating Expenses	<u>300,435</u>
Operating Income (Loss)	<u>(259,945)</u>
Nonoperating Revenues (Expenses)	
Interest	45
Intergovernmental	175,243
Interest Expense	<u>(31,275)</u>
Net Nonoperating Revenues (Expenses)	<u>144,013</u>
Change In Net Assets	(115,932)
Total Net Assets - Beginning	<u>8,037,496</u>
Total Net Assets - Ending	<u><u>\$ 7,921,564</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HANCOCK COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities
	Enterprise Funds Airport Board Fund
Cash Flows From Operating Activities	
Cash Received From Others	\$ 40,490
Cash Payments To Vendors	(31,405)
Net Cash Provided (Used) By Operating Activities	<u>9,085</u>
Cash Flows From Capital and Related Financing Activities	
Interest Paid On Capital Debt	(31,275)
Capital Contributions	175,243
Principal Payment On Capital Debt	(70,000)
Construction of Capital Assets	(53,675)
Purchase of Capital Assets	(34,700)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(14,407)</u>
Cash Flows From Investing Activities	
Interest and Investment Earnings	45
Net Cash Provided (Used) By Investing Activities	<u>45</u>
Net Increase in Cash and Cash Equivalents	(5,277)
Cash and Cash Equivalents - July 1, 2010	<u>133,302</u>
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 128,025</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities	
Operating Income (Loss)	\$ (259,945)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities - Depreciation Expense	<u>269,030</u>
Total Cash Provided (Used) By Operating Activities	<u><u>\$ 9,085</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	37
NOTE 2.	DEPOSITS	29
NOTE 3.	NOTE RECEIVABLE	43
NOTE 4.	INTERFUND TRANSFERS.....	43
NOTE 5.	ASSETS HELD FOR RESALE.....	44
NOTE 6.	CAPITAL ASSETS.....	44
NOTE 7.	SHORT-TERM DEBT.....	46
NOTE 8.	LONG-TERM DEBT	46
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM	49
NOTE 10.	DEFERRED COMPENSATION.....	50
NOTE 11.	INSURANCE.....	51
NOTE 12.	LANDFILL CLOSURE AND POSTCLOSURE COSTS	51
NOTE 13.	PRIOR PERIOD ADJUSTMENTS	51
NOTE 14.	CHANGE IN ACCOUNTING PRINCIPLES	51

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the values of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Hancock County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Hancock County Airport Board

The Hancock County Airport Board is not legally separate from the Hancock County Fiscal Court. The Fiscal Court has the ability to impose its will on the governing board. Financial information for the Airport Board is blended within Hancock County's financial statements. All activities of the Airport Board are accounted for within a major enterprise fund.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Hancock County Public Improvement Corporation

Hancock County Public Improvement Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Hancock County Judicial Center and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Corporation. Financial information for the Corporation is blended within Hancock County's financial statements. All activities of the Corporation are accounted for within a major (capital projects) fund.

C. Hancock County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Hancock County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Hancock County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The primary sources of revenue are state grants and coal and mineral severance taxes. The funds may be used for roads, protection of persons and property, social services and general health and sanitation expenditures.

Judicial Center Bond Fund - The purpose of this fund is to account for the funds received from a bond issue and to account for expenses related to the construction of the new Judicial Center.

The primary government also has the following non-major funds: Jail Fund and E911 Fund.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and E911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Capital Projects Fund:

Judicial Center Bond Fund - The Judicial Center Bond Fund is presented as a Capital Projects Fund and is used to account for constructions costs of the Hancock County Judicial Center.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Fund:

The principal operating revenues of the county's enterprise fund is charges to customers for sales and services at the Airport. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

Airport Board Fund - The primary purpose of this fund is to account for the activities of the airport. The primary sources of revenue for this fund are from charges to customers and federal aviation grants.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, other equipment, vehicles and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized for Governmental Funds but is capitalized to Proprietary Funds. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-25
Buildings	\$ 10,000	10-40
Other Equipment	\$ 5,000	5-10
Vehicles	\$ 7,500	5-10
Infrastructure - Roads	\$ 10,000	10-25
Infrastructure - Bridges	\$ 5,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Hancock County Airport Board (blended component unit) funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

The Judicial Center Bond Fund (capital projects fund) funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Note Receivable

Hancock County Fiscal Court loaned \$364,000 to World Source Industries, Inc., on June 14, 1990 for the purpose of land acquisition. Arvin Roll Coater, Inc. had assumed this loan and merged with Arvin Meritor in December 2004. Terms of the agreement stipulate a one-time payment on June 14, 2005; however, as of June 30, 2011, the payment hasn't been made and is in dispute. As of June 30, 2011, the principal balance remaining due was \$364,000.

Note 4. Interfund Transfers

The table below shows the interfund transfers for fiscal year 2011.

	<u>Transfers Out</u>
<u>Transfers In</u>	<u>General Fund</u>
Road Fund	\$ 411,500
Jail Fund	90,500
Total Transfers Out	<u>\$ 502,000</u>

Reason for transfers:

- 1) To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicle	\$	\$ 112,898	\$	\$ 112,898
Total Assets Held For Resale	\$ 0	\$ 112,898	\$ 0	\$ 112,898

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 862,102	\$	\$	\$ 862,102
Construction In Progress	4,884,612	5,511,878		10,396,490
Total Capital Assets Not Being Depreciated	5,746,714	5,511,878		11,258,592
Capital Assets, Being Depreciated:				
Buildings	3,135,865			3,135,865
Other Equipment	1,816,562	205,381		2,021,943
Vehicles	2,259,123	210,947		2,470,070
Infrastructure	1,479,431	548,357		2,027,788
Total Capital Assets Being Depreciation	8,690,981	964,685		9,655,666
Less Accumulated Depreciation For:				
Buildings	(1,355,229)	(65,833)		(1,421,062)
Other Equipment	(1,169,294)	(100,910)		(1,270,204)
Vehicles	(1,676,032)	(88,547)		(1,764,579)
Infrastructure	(283,657)	(86,461)		(370,118)
Total Accumulated Depreciation	(4,484,212)	(341,751)		(4,825,963)
Total Capital Assets, Being Depreciated, Net	4,206,769	622,934		4,829,703
Governmental Activities Capital Assets, Net	\$ 9,953,483	\$ 6,134,812	\$ 0	\$ 16,088,295

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,627,176	\$	\$	\$ 1,627,176
Construction In Progress	502,056	34,816	(536,872)	
Total Capital Assets Not Being Depreciated	2,129,232	34,816	(536,872)	1,627,176
Capital Assets, Being Depreciated:				
Land Improvements	5,807,220	53,559		5,860,779
Buildings	648,744	536,872		1,185,616
Other Equipment	308,320			308,320
Total Capital Assets Being Depreciated	6,764,284	590,431		7,354,715
Less Accumulated Depreciation For:				
Land Improvements	(209,060)	(209,739)		(418,799)
Buildings	(19,462)	(31,542)		(51,004)
Other Equipment	(30,800)	(27,749)		(58,549)
Total Accumulated Depreciation	(259,322)	(269,030)		(528,352)
Total Capital Assets, Being Depreciated, Net	6,504,962	321,401		6,826,363
Business-Type Activities Capital Assets, Net	\$ 8,634,194	\$ 356,217	\$ (536,872)	\$ 8,453,539

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 78,804
Protection to Persons and Property	73,777
Social Services	13,816
Recreation and Culture	6,336
Roads, Including Depreciation of General Infrastructure Assets	<u>169,018</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 341,751</u>
<u>Business-Type Activities:</u>	
Airport Board	<u>\$ 269,030</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 269,030</u>

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Short-term Debt

A. Mack Dump Truck

Hancock County Fiscal Court entered into a short-term lease with the Kentucky Association of Counties Leasing Trust to finance the purchase of a Mack dump truck on October 4, 2010. The lease is for \$112,898 at an interest rate of 2.55% per annum. Interest payments are due by the 20th of each month. The entire principal amount is due on November 1, 2011. As of June 30, 2011, the principal balance was \$112,898. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 112,898	\$ 3,626

B. Changes in Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$	\$ 112,898	\$	\$ 112,898	\$ 112,898
Governmental Activities Short-term Liabilities	\$ 0	\$ 112,898	\$ 0	\$ 112,898	\$ 112,898

Note 8. Long-term Debt

A. Excavator

Hancock County Fiscal Court borrowed \$108,445 from Green River Area Development District for the purchase of an excavator. Terms of the agreement stipulate a five year repayment schedule at interest of 4%. The Fiscal Court is in substantial compliance with the terms of the agreement. As of June 30, 2011, the principal balance was \$45,628. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 22,537	\$ 977
2013	23,091	423
Totals	\$ 45,628	\$ 1,400

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Long-term Debt (Continued)

B. Airport Construction Note

Hancock County Fiscal Court borrowed \$100,000 from Green River Area Development District for construction at the airport. Terms of the agreement stipulate a four year repayment schedule at interest of 4.25%. The Fiscal Court is in substantial compliance of the terms of the agreement. As of June 30, 2011, the principal balance was \$26,068. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 26,068	\$ 2,037

C. Ambulance

Hancock County Fiscal Court borrowed \$100,000 from Green River Area Development District for the purchase of an ambulance. Terms of the agreement stipulate a five year repayment schedule with a variable interest rate. The Fiscal Court is in substantial compliance of the terms of the agreement. As of June 30, 2011, the principal balance was \$78,858. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 19,563	\$ 1,924
2013	20,041	1,447
2014	20,530	958
2015	18,724	457
Totals	\$ 78,858	\$ 4,786

D. Hancock County Public Improvement Corporation Lease Revenue Bonds (Judicial Center Project), Series 2009

Hancock County Fiscal Court issued Lease Revenue Bonds (Judicial Center Project), Series 2009 for \$11,625,000 for the purpose of acquiring, constructing, and furnishing a new Judicial Center. The bond requires yearly principal payments due August 1 and interest payments due February 1 and August 1 with a variable interest rate. The bond will mature on August 1, 2028. As of June 30, 2011, the principal balance was \$11,155,000. Future principal and interest requirements are:

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Long-term Debt (Continued)

D. Hancock County Public Improvement Corporation Lease Revenue Bonds (Judicial Center Project), Series 2009 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 480,000	\$ 371,954
2013	485,000	362,304
2014	500,000	351,829
2015	510,000	340,466
2016	520,000	328,229
2017-2021	2,850,000	1,398,769
2022-2026	3,410,000	837,366
2027-2029	2,400,000	150,909
Totals	<u>\$ 11,155,000</u>	<u>\$ 4,141,826</u>

E. Dump Truck

Hancock County Fiscal Court borrowed \$100,000 from Green River Area Development District for the purchase of a dump truck on February 9, 2011. Terms of the agreement stipulate a four year repayment schedule with a 2.44% interest rate. The Fiscal Court is in substantial compliance of the terms of the agreement. As of June 30, 2011, the principal balance was \$100,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal Amount	Scheduled Interest
2012	\$ 25,581	\$ 963
2013	24,727	1,816
2014	25,331	1,212
2015	24,361	594
Totals	<u>\$ 100,000</u>	<u>\$ 4,585</u>

F. Airport Board Bond Issue (Business-Type Activities)

Hancock County Airport Board issued bonds totaling \$860,000 thru the Kentucky Public Agency Development Trust & Lease Acquisition Program Series 2007 A1 on September 18, 2007 for the purpose of building a terminal for the airport. The coupon rate is 4.5% and it was issued at par value. These bonds will mature September 1, 2017. The principal balance at June 30, 2011 was \$660,000. The future debt service requirements are:

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Long-term Debt (Continued)

F. Airport Board Bond Issue (Business-Type Activities) (Continued)

Fiscal Year Ended June 30	Business-Type Activities	
	Principal Amount	Scheduled Interest
2012	\$ 70,000	\$ 28,125
2013	75,000	24,863
2014	80,000	21,375
2015	80,000	17,775
2016	85,000	14,063
2017-2018	270,000	14,175
Totals	<u>\$ 660,000</u>	<u>\$ 120,376</u>

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 219,140	\$ 100,000	\$ 68,586	\$ 250,554	\$ 93,749
Revenue Bonds	<u>11,625,000</u>		<u>470,000</u>	<u>11,155,000</u>	<u>480,000</u>
Governmental Activities Long-term Liabilities	<u>\$ 11,844,140</u>	<u>\$ 100,000</u>	<u>\$ 538,586</u>	<u>\$ 11,405,554</u>	<u>\$ 573,749</u>
<u>Business-Type Activities:</u>					
General Obligation Bonds	<u>\$ 730,000</u>	<u>\$</u>	<u>\$ 70,000</u>	<u>\$ 660,000</u>	<u>\$ 70,000</u>
Business-Type Activities Long-term Liabilities	<u>\$ 730,000</u>	<u>\$ 0</u>	<u>\$ 70,000</u>	<u>\$ 660,000</u>	<u>\$ 70,000</u>

Note 9. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Employee Retirement System (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$251,908, FY 2010 was \$318,593, and FY 2011 was \$346,392.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Deferred Compensation

The Hancock County Fiscal Court participated in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 10. Deferred Compensation (Continued)

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 11. Insurance

For the fiscal year ended June 30, 2011, Hancock County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Landfill Closure and Postclosure Costs

The Hancock County Landfill was closed on June 20, 1995. The Fiscal Court must comply with established state and federal landfill closure and postclosure procedures and must perform maintenance and monitoring procedures at the site for thirty years after closure. Estimated postclosure care costs total \$205,309 as of June 30, 2011, or \$12,832 per year. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that postclosure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

Note 13. Prior Period Adjustments

Beginning net assets of governmental activities has been restated by (\$24,954) to correct errors in capital assets depreciation in prior years and prior year voided checks.

Beginning fund balance of the General Fund has been restated by \$12,867 for prior year voided checks.

Beginning fund balance of the Road Fund has been restated by \$10,904 for prior year voided checks.

Note 14. Change in Accounting Principles

The Hancock County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,904,445	\$ 2,904,445	\$ 3,408,156	\$ 503,711
In Lieu Tax Payments	14,100	14,100	10,949	(3,151)
Excess Fees	104,100	104,100	130,083	25,983
Licenses and Permits	27,675	27,675	25,322	(2,353)
Intergovernmental Revenue	327,879	601,464	791,564	190,100
Charges for Services	295,750	295,750	303,244	7,494
Miscellaneous	182,280	237,280	385,955	148,675
Interest	500	500	8,868	8,368
Total Revenues	3,856,729	4,185,314	5,064,141	878,827
EXPENDITURES				
General Government	1,216,744	1,294,974	1,215,429	79,545
Protection to Persons and Property	1,066,121	1,244,330	1,124,125	120,205
General Health and Sanitation	137,850	528,480	496,881	31,599
Social Services	210,748	224,141	199,004	25,137
Recreation and Culture	347,314	374,885	306,948	67,937
Airports	30,000	39,324	12,620	26,704
Debt Service	30,600	30,600	48,192	(17,592)
Administration	1,605,817	1,237,045	1,147,935	89,110
Total Expenditures	4,645,194	4,973,779	4,551,134	422,645
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(788,465)	(788,465)	513,007	1,301,472
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(717,535)	(717,535)	(502,000)	215,535
Total Other Financing Sources (Uses)	(717,535)	(717,535)	(502,000)	215,535
Net Changes in Fund Balance	(1,506,000)	(1,506,000)	11,007	1,517,007
Fund Balance - Beginning (Restated)	1,506,000	1,506,000	1,855,662	349,662
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,866,669	\$ 1,866,669

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 772,729	\$ 1,059,729	\$ 1,188,638	\$ 128,909
Miscellaneous	100,200	150,200	282,252	132,052
Interest	2,000	2,000	6,870	4,870
Total Revenues	874,929	1,211,929	1,477,760	265,831
EXPENDITURES				
Roads	1,041,401	1,393,561	1,417,745	(24,184)
Debt Service	232,658	232,658	25,642	207,016
Administration	300,645	285,485	188,008	97,477
Total Expenditures	1,574,704	1,911,704	1,631,395	280,309
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(699,775)	(699,775)	(153,635)	546,140
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	551,775	551,775	411,500	(140,275)
Total Other Financing Sources (Uses)	551,775	551,775	411,500	(140,275)
Net Changes in Fund Balance	(148,000)	(148,000)	257,865	405,865
Fund Balance - Beginning (Restated)	148,000	148,000	178,775	30,775
Fund Balance - Ending	\$ 0	\$ 0	\$ 436,640	\$ 436,640

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 75,100	\$ 75,100	\$ 236,681	\$ 161,581
Miscellaneous	100	100	1,501	1,401
Interest	3,000	3,000	1,906	(1,094)
Total Revenues	78,200	78,200	240,088	161,888
EXPENDITURES				
Protection to Persons and Property	3,000	3,000	2,318	682
General Health and Sanitation	3,300	3,300	180	3,120
Social Services	23,500	25,000	14,800	10,200
Recreation and Culture	3,750	3,750	2,490	1,260
Roads	479,650	478,150	330,080	148,070
Total Expenditures	513,200	513,200	349,868	163,332
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(435,000)	(435,000)	(109,780)	325,220
Net Changes in Fund Balance	(435,000)	(435,000)	(109,780)	325,220
Fund Balance - Beginning	435,000	435,000	347,248	(87,752)
Fund Balance - Ending	\$ 0	\$ 0	\$ 237,468	\$ 237,468

HANCOCK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

Road Fund:

Total Revenues - Budgetary Basis	\$ 1,477,760
Less: Proceeds from Financing Obligations	<u>(212,198)</u>
Modified Cash Basis	<u><u>\$ 1,265,562</u></u>
 Budgetary Basis - Expenditures	 \$ 1,631,395
Add: Expenses Related to Debt	<u>700</u>
Modified Cash Basis	<u><u>\$ 1,632,095</u></u>
 Budgetary Basis - Other Financing Sources (Uses)	 \$ 411,500
Add: Proceeds from Financing Obligations and Expenses Related to Debt	<u>212,898</u>
Modified Cash Basis	<u><u>\$ 624,398</u></u>

HANCOCK COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

HANCOCK COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Jail Fund	E911 Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 4,223	\$ 294,436	\$ 298,659
Total Assets	<u>4,223</u>	<u>294,436</u>	<u>298,659</u>
FUND BALANCES			
Assigned To:			
Protection to Persons and Property	<u>4,223</u>	<u>294,436</u>	<u>298,659</u>
Total Fund Balances	<u>\$ 4,223</u>	<u>\$ 294,436</u>	<u>\$ 298,659</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HANCOCK COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

HANCOCK COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Jail Fund	E911 Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 37,051	\$ 37,051
Intergovernmental	76,067	93,961	170,028
Charges for Services	18,330		18,330
Miscellaneous	12,341		12,341
Interest		1,686	1,686
Total Revenues	<u>106,738</u>	<u>132,698</u>	<u>239,436</u>
EXPENDITURES			
Protection to Persons and Property	183,152	95,308	278,460
Administration	<u>12,034</u>		<u>12,034</u>
Total Expenditures	<u>195,186</u>	<u>95,308</u>	<u>290,494</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(88,448)</u>	<u>37,390</u>	<u>(51,058)</u>
Other Financing Sources (Uses)			
Transfer From Other Funds	<u>90,500</u>		<u>90,500</u>
Total Other Financing Sources (Uses)	<u>90,500</u>		<u>90,500</u>
Net Change in Fund Balance	2,052	37,390	39,442
Fund Balances - Beginning	<u>2,171</u>	<u>257,046</u>	<u>259,217</u>
Fund Balances - Ending	<u><u>\$ 4,223</u></u>	<u><u>\$ 294,436</u></u>	<u><u>\$ 298,659</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

The Honorable Jack McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 10, 2012. Hancock County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Hancock County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hancock County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2011-01 to be a material weakness.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Hancock County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Hancock County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2012

**HANCOCK COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2011

**HANCOCK COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2011

INTERNAL CONTROL - MATERIAL WEAKNESS

2011-01 Lack Of Adequate Segregation Of Duties Over Cash, Bank Reconciliations, Revenues
 And Payroll

During the audit we noted that there is a lack of segregation of duties over Cash, bank reconciliations, revenues, and payroll. The Treasurer performs all accounting functions over cash and receives, posts, and reconciles revenues as well as preparation of the quarterly financial statements. The Treasurer also prepares payroll, uploads payments to the bank, and then reconciles payroll amounts listed on the quarterly financial statement. There were no documented compensating controls to offset the lack of segregation of duties or reduce the deficiency to an acceptable level.

We recommend the Fiscal Court segregate incompatible duties or implement the following compensating internal controls.

1. Have someone independent of the Treasurer's office review and re-compute the bank reconciliation. Outstanding items should be reviewed. The review/re-computation should be documented.
2. Have someone independent of the Treasurer's office compare receipts listing to the daily check out sheets to the receipts ledger to determine all receipts are properly accounted for. The review should be documented.
3. Have someone independent of the Treasurer's office trace balances on the quarterly reports to the general ledger in order to validate amounts reported on the financial statements. This process should be documented.
4. Have someone independent of the Treasurer's office review payroll prior to submission to the bank as well as review amounts posted to the ledgers.

County Judge/Executive Jack McCaslin's Response: "We continue to try to improve internal controls. Due to having a small staff, it is hard to segregate duties. The other departments have their own job duties to perform."

THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

HANCOCK COUNTY FISCAL COURT

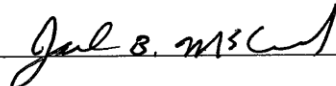
For The Fiscal Year Ended June 30, 2011

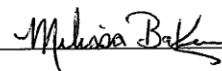
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HANCOCK COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Hancock County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

